

# Brighton & Hove City Council

## Policy & Resources Committee

## Agenda Item 92

**Subject:** Business Rates Retention Forecast 2022/23

**Date of meeting:** 27 January 2022

**Report of:** Chief Finance Officer

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**Ward(s) affected:** All

### For general release

#### 1. Purpose of the report and policy context

- 1.1 There is a statutory requirement placed on all business rates collection authorities to calculate the amount of business rates income each authority is likely to receive for the coming year. Business activity in the City changes constantly and creates considerable volatility in business rates income which makes accurate forecasting difficult. The council is also highly reliant on the timeliness of data and decisions from the Valuation Office Agency (VOA) which includes the outcome of business rate appeals.
- 1.2 The Ministry for Levelling Up, Housing & Communities (DLUHC) issued the National Non-Domestic Rates form (NNDR1) for 2022/23 on 17 December 2021, which gathers and reports the estimated business rates expected to be collected by the council next year. The NNDR1 form must be submitted to MHCLG and the Fire Authority by 31 January 2022. To accommodate any updated information becoming available ahead of the deadline, delegated authority to the Chief Finance Officer following consultation with the Chair is requested to agree the final form. Any amendments to the final NNDR1 form will be reflected in the budget report to this committee in February.
- 1.3 In the Autumn Budget 2021 government announced a 50% Retail, Hospitality and Leisure Business Rates Relief Scheme with relief up to a cash cap limit of £110,000 per business.

#### 2. Recommendations

- 2.1 That Committee notes that the amount forecast to be received by the council in 2022/23 from its share of local business rates and section 31 Local Government Act 2003 compensation grants is £71.432m, based on the latest data.
- 2.2 That Committee delegates the agreement of the final business rates forecast and the NNDR1 2021/22 form to the Chief Finance Officer following

consultation with the Chair of this Committee for the reasons given in paragraph 1.2.

### **3. Context and background information**

- 3.1 Business rates are a property tax based on the rateable value (RV) of each non-domestic property which is determined by the Valuation Office Agency (VOA). On 31 December 2021 the RV for Brighton and Hove on the 2017 rating list was £308.903m reflecting changes from new properties, deleted properties and successful appeals.
- 3.2 As with previous rating lists, the 2017 list is subject to an appeals process and a judgement is made on the level of successful appeals that are estimated to reduce the council's business rates income each year.
- 3.3 To calculate the bill for each property on the rating list, a multiplier is applied to the RV. There are two multipliers set nationally: the small business non-domestic multiplier which is used for properties with a RV below £51,000; and the non-domestic multiplier due on properties above this level. The provisional small business non-domestic multiplier for 2022/23 is 49.9p in the pound and the provisional non-domestic multiplier is 51.2p which is frozen since 2021/22.
- 3.4 Certain categories of occupation are entitled to relief against their business rates bill, for example small businesses and charities receive mandatory relief. Local authorities may also provide relief on a discretionary basis for particular types of occupier.
- 3.5 There are certain reductions in business rates income resulting from government announcements on reliefs and multiplier caps. Local authorities will continue to be refunded for the loss in income as a result of these announcements through grant known as section 31(S31) compensation grants. Therefore, the overall resources generated through business rates retention is a combination of business rates income and S31 grants.
- 3.6 The business rates retention scheme has been in place since 2013/14 and currently allows the council to keep 49% of the net amount raised locally with a further 1% going to East Sussex Fire Authority and the remaining 50% being paid to the government.

### **Business Rates Collection Fund latest position 2021/22**

- 3.7 The monitoring of business rates income during 2021/22 is reported to this committee through Targeted Budget Management (TBM) reports. The business rates collection fund is forecast to be in surplus by the end of the year and, after allowing for section 31 compensation grants on retail and nursery relief, government support for the brought forward deficit and the 3 year spread of the 2020/21 deficit, the council is forecasting its share of the surplus to be £0.668m. The surplus will be updated ahead of the 31 January deadline to take into account the most up to date information available in order that the relevant section of the NNDR1 form can be completed. This

will be reported to this committee in both the TBM month 9 and General Fund Revenue Budget reports.

### **Business Rates estimate for 2022/23**

- 3.8 The business rates multipliers have been kept at the same level as 2020/21 and 2021/22. This reduces the level of business rates income to the authority however government will compensate local authorities for the difference to the September RPI rate of 4.9% through the section 31 grant for the multiplier cap. This increase has been included in the projection.
- 3.9 The most significant factor in determining forecasts of future business rates income is the level of successful appeals. Other factors include additions and deletions to the rating list and any significant changes to empty relief and other mandatory and discretionary reliefs. In addition, Covid-19 is adding further uncertainty in forecasting as to the financial impact this will have in the current and future years. As such business rates income can be volatile.

### **Gross Rates Payable**

- 3.10 Based on the 2017 rating list at 31 December 2021, the gross rates payable for 2021/22 are £156.898m. An allowance is made for a change in the gross rates payable to reflect the forecast change in liability from new properties, deleted properties and other changes to rateable value (excluding appeals). It is assumed that there will be 0.8% overall growth in business rates by 31/3/23. This includes developments for Edward Street Quarter, New England Quarter and Nile House, Nile Street.

### **Small Business Rates Relief (SBRR)**

- 3.11 The forecast value of SBRR to be awarded in 2022/23 is £11.978m.

### **Empty Relief**

- 3.12 The level of empty relief awarded is projected at £4.094m. Whilst most empty relief is for 3 or 6 months there are some categories where there is no restriction on the length of award, these include properties with businesses in liquidation and listed buildings.

### **Discretionary Reliefs funded through section 31 (S31) grants**

- 3.13 The Government announced in the Autumn Budget 2021 that it will continue to provide a business rates Retail, Hospitality and Leisure relief scheme giving eligible businesses a 50% relief on rates bills up to £110,000 per business in 2022/23. The value to business ratepayers is estimated to be upto £23.510m subject to confirmation of eligibility.

## Estimated Bad Debts

- 3.14 A prudential estimate of the level of business rates that will ultimately be collected is required to ensure the authority does not commit expenditure beyond the level of resources it expects to receive. In this respect, a provision for estimated bad debts is made based on a balanced view of current trends versus expected economic recovery. It is estimated that 1.25% of the net rates payable before the award of retail relief in respect of 2022/23 will ultimately be written off as bad debt amounting to £1.617m.

## Appeals

- 3.15 The council also needs to make a judgement on the likely level of successful appeals against the 2017 rating list as this reduces business rates income the council will receive in 2022/23. The Check, Challenge, Appeal process introduced in 2017 is showing lower levels of successful reductions than the national assumptions the council had previously used in forecasts. The council has reduced the anticipated loss from successful appeals by a further £0.500m from the amount previously assumed in the last forecast reported to this committee.
- 3.16 At the end of December 2021 there are 30 outstanding checks and 46 outstanding challenges. There are 50 appeals outstanding from the 2010 rating list.

## Overall business rates forecast for 2022/23

- 3.17 The following tables summarises the components of the business rates retention income due to the council:

<b>Brighton &amp; Hove City Council share of business rates</b>	<b>£ million</b>
Brighton & Hove City Council 49% share of non-domestic rating income	-50.070
Section 31 compensation grants from government	-22.807
Tariff Payment (includes section 31 impact from the multiplier cap of £0.121m)	+1.305
Levy payment	+0.140
<b>Total of business rates income retained by the council</b>	<b>-71.432</b>

- 3.18 There is a £0.250m increase in business rates income from the forecast given in the Budget Update report to this committee in December 2021.

## 4. Analysis and consideration of alternative options

- 4.1 The completion of the NNDR1 form is prescribed in the completion guidance notes from DLUHC.
- 4.2 Business rate multipliers, reliefs and associated compensation grants are determined by Government under statute and cannot be altered by local authorities.

- 4.3 The authority can increase or decrease its estimates of business rate growth and provision for bad debts. However, these must be prudential and based on available evidence and data and are reviewed by the council's Section 151 Chief Finance Officer under Section 25 of the Local Government Act 2003. The estimates in this report have been reviewed and ratified by the Chief Finance Officer accordingly.

## **5. Community engagement and consultation**

- 5.1 The council has a duty to consult representatives of business ratepayers on the council's overall budget and this consultation will take place before the February Policy & Resources Committee. This is achieved by providing information and sharing draft budget proposals with the business community via representative organisations such as the Economic Partnership and Chamber of Commerce.

## **6. Conclusion**

- 6.1 The council has a statutory duty to agree a business rates forecast for 2022/23, set out a forecast surplus or deficit for 2021/22 and submit an NNDR1 form by the 31 January 2022.

## **7. Financial implications**

- 7.1 The forecast business rates income, including section 31 business rates grants, is £0.250m above the earlier forecast used in the Draft Revenue Budget proposals reported to this committee on 2 December 2021. Any changes made to the final NNDR1 form including the council's share of any business rates collection fund deficit or surplus will be included within the budget forecast for 2022/23.

Name of finance officer consulted: James Hengeveld Date consulted: 12/01/22

## **8. Legal implications**

- 8.1 Under Part 2 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452), the council must determine specified information relating to its business rates forecast and notify the Secretary of State and relevant precepting authorities of the amounts. In respect of the year commencing 1 April 2022, these amounts must be determined by 31 January 2022.
- 8.2 This is not a function reserved to Full Council by legislation or local agreement and it is therefore appropriate for this matter to be decided by Policy & Resources Committee as the calculation of business rates is within its terms of reference.

Name of lawyer consulted: Elizabeth Culbert Date consulted: 12/01/22

## **9. Equalities implications**

9.1 None specific to this report.

**10. Sustainability implications**

10.1 The changes to business rates reliefs and thresholds could have a beneficial impact on the economic health of the city.